

**GEORGIA
HEALTHCARE
GROUP**

2nd quarter and half-year 2020 Results

An extract from the parent company's, Georgia Capital PLC, results file. For the full version of the results release please refer to the following link: [Georgia Capital PLC | 1H20 results](#)

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FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although JSC Georgia Healthcare Group believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: impact of COVID-19; compliance risk; recruitment and retention of skilled medical practitioners risk; clinical risk; concentration of revenue and the Universal Healthcare Programme; currency and macroeconomic; information technology and operational risk; regional tensions and political risk; and other key factors that could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports. Nothing in this document should be construed as a profit forecast.

GHG overview

JSC Georgia Healthcare Group (“GHG” or “the Group”) is the largest and the only fully integrated healthcare provider in the fast-growing, predominantly privately-owned Georgian healthcare ecosystem, comprising three business lines: a healthcare services business, a pharmacy and distribution business and a medical insurance business.

Georgia Healthcare Group PLC was listed on the premium segment of the London Stock Exchange (“LSE”) in November 2015. Following the largest shareholder’s, Georgia Capital’s (GCAP), final share exchange offer becoming unconditional in all respects, Georgia Healthcare Group PLC’s listing on the premium segment of the London Stock Exchange’s main market was cancelled in August 2020 (further details of the transaction are available at: <https://georgiacapital.ge/ir/offer-ghg>).

GCAP, the 100% ultimate owner of GHG as of August 2020, continues to be listed on the premium segment of LSE (LN:CGEO).

Below is presented the Group’s and its businesses second quarter and first half 2020 consolidated financial results. Unless otherwise mentioned, comparatives are for the second quarter of 2019. The results are based on International Financial Reporting Standards (“IFRS”) as adopted in the European Union (“EU”), are unaudited and extracted from management accounts.

Georgia Healthcare Group (GHG)

Business description

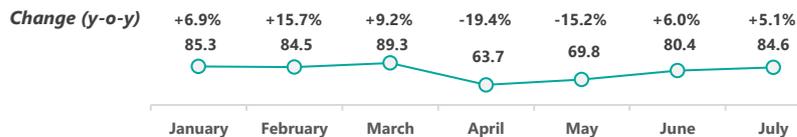
GHG is the largest and the only fully integrated healthcare service provider in the fast-growing predominantly privately-owned healthcare ecosystem in Georgia, which represents an annual aggregated market of GEL 3.8 billion. GHG is comprised of three business lines: healthcare services (hospitals, clinics and diagnostics), pharmacy and distribution and medical insurance.

1H20 performance – consolidated (GEL '000, unless otherwise noted)

| INCOME STATEMENT HIGHLIGHTS | 1H20 | 1H19 | Change, Y-o-Y | 2Q20 | 2Q19 | Change, Y-o-Y |
|--|------------------|------------------|---------------|----------------|-----------------|---------------|
| Revenue | 472,929 | 471,708 | 0.3% | 213,833 | 237,055 | -9.8% |
| Of which, Healthcare services | 146,824 | 169,954 | -13.6% | 64,844 | 84,715 | -23.5% |
| Of which, Pharmacy and distribution | 318,840 | 295,193 | 8.0% | 143,811 | 149,414 | -3.7% |
| Of which, Medical Insurance | 34,559 | 36,366 | -5.0% | 16,491 | 18,873 | -12.6% |
| Of which, Eliminations | (27,294) | (29,805) | -8.4% | (11,313) | (15,947) | -29.1% |
| Gross Profit | 146,834 | 150,048 | -2.1% | 67,440 | 73,892 | -8.7% |
| Operating expenses excluding IFRS 16 | (84,264) | (75,272) | 11.9% | (41,149) | (36,527) | 12.7% |
| EBITDA excluding IFRS 16 | 62,570 | 74,776 | -16.3% | 26,291 | 37,365 | -29.6% |
| Of which, Healthcare services | 25,918 | 42,102 | -38.4% | 8,977 | 20,816 | -56.9% |
| Of which, Pharmacy and distribution | 33,628 | 30,908 | 8.8% | 15,042 | 15,347 | -2.0% |
| Of which, Medical Insurance | 3,024 | 1,785 | 69.4% | 2,275 | 1,223 | 86.0% |
| Of which, Eliminations | - | (19) | NMF | (3) | (21) | -85.7% |
| Net profit excluding IFRS 16 | 11,349 | 31,292 | -63.7% | 11,289 | 13,019 | -13.3% |
| Of which, attributable to the shareholders of the company | 2,080 | 20,278 | -89.7% | 5,443 | 8,281 | -34.3% |
| CASH FLOW HIGHLIGHTS | | | | | | |
| Cash flow from operating activities excluding IFRS 16 | 89,998 | 55,170 | 63.1% | 46,805 | 28,935 | 61.8% |
| Of which, Healthcare services | 53,613 | 21,158 | 153.4% | 20,725 | 9,086 | 128.1% |
| Of which, Pharmacy and distribution | 33,376 | 30,892 | 8.0% | 24,304 | 17,449 | 39.3% |
| Of which, Medical Insurance | 3,010 | 3,121 | -3.6% | 1,777 | 2,401 | -26.0% |
| EBITDA to cash conversion | 143.8% | 73.8% | +70ppts | 178.0% | 77.4% | +101ppts |
| Cash flow used in investing activities | (18,981) | (22,007) | -13.8% | (4,383) | (7,871) | -44.3% |
| Of which, capex | (16,245) | (20,665) | -21.4% | (6,502) | (11,160) | -41.7% |
| Free cash flow, excluding IFRS 16³ | 71,017 | 33,163 | 114.1% | 42,422 | 21,064 | 101.4% |
| Cash flow from financing activities excluding IFRS 16 | 14,874 | (53,923) | NMF | 9,659 | (21,527) | NMF |
| Net Proceeds from borrowings | 32,633 | (29,094) | NMF | 16,602 | (8,083) | NMF |
| Cash and cash equivalents, ending balance | 120,039 | 27,207 | NMF | 120,039 | 27,207 | NMF |
| BALANCE SHEET HIGHLIGHTS | | | | | | |
| | Jun-20 | Dec-19 | Change | | | |
| Total assets | 1,428,717 | 1,351,207 | 5.7% | | | |
| Property, plant and equipment | 663,405 | 671,658 | -1.2% | | | |
| Goodwill and other intangible assets | 165,786 | 162,247 | 2.2% | | | |
| Receivables from healthcare services | 99,183 | 130,212 | -23.8% | | | |
| Receivables from sale of pharmaceuticals | 16,951 | 17,508 | -3.2% | | | |
| Inventory | 188,606 | 174,462 | 8.1% | | | |
| Total liabilities | 835,192 | 748,933 | 11.5% | | | |
| Long-term borrowings | 414,540 | 363,585 | 14.0% | | | |
| Accounts payable | 144,975 | 128,700 | 12.6% | | | |
| Total equity | 593,525 | 602,274 | -1.5% | | | |

MONTHLY PERFORMANCE IN 2020 (GEL millions, unless otherwise noted)

Revenue



KEY POINTS

- Strong operating cash flow generation, up 63.1% y-o-y in 1H20, excluding IFRS 16 impact, with 143.8% EBITDA to cash conversion ratio
- Free cash flow excluding IFRS 16, up 114.1% to GEL 71.0 million
- Despite the pandemic effects y-o-y revenue remained stable, up 30 bps y-o-y in 1H20 to GEL 472.9 million
- Improved leverage profile, with net debt down 15.1% y-o-y, from GEL 341.7 million to GEL 290.1 million

INCOME STATEMENT HIGHLIGHTS

Despite the evolving COVID-19 pandemic and lockdown restrictions in Georgia during Mar-Jun period, GHG's revenues were up 0.3% y-o-y in 1H20. The growth reflects the strong performance in the pharmacy and distribution business, primarily during 1Q20. The business has been more resilient throughout the pandemic, as the pharmacies remained open throughout Georgia during the lockdown. At the same time, the number of total admissions at hospitals and clinics significantly decreased, leading to 13.6% y-o-y decline in the 1H20 revenues from the healthcare services business. Since the beginning of June, after the Government started lifting the restrictions, we see a continuing rebound of the healthcare services business revenues. We discuss in details the performance of each business line on pages 15-17.

In 1H20, GHG's revenue distribution across its businesses was: 54% from Pharmacy and Distribution, 41% from the Healthcare Services business and 5% from Medical Insurance. By payer mix, 57% of the Group's total revenue was from out-of-pocket payments; 21% from UHC payments; and 22% from other sources.

GHG's gross profit margin was down 80bps y-o-y in 1H20, reflecting the 4.5ppts decrease in the margin of the healthcare services business, which was mostly offset by the increased margins in Pharmacy and Distribution and Medical Insurance. In addition to COVID-19, the healthcare services business was affected by the new regulation on tariff reduction for certain medical services, effective since November 2019. GHG's operating leverage was negative 14.0% in 1H20, reflecting the increased expenses at the healthcare services business due to the pandemic. As a result, 1H20 EBITDA was down 16.3% y-o-y excluding IFRS16. In 2Q20 all GHG segments managed to reduce its funding costs over 1Q20 and overall, GHG's interest expense, excluding IFRS 16, was down 7.4% q-o-q.

BALANCE SHEET HIGHLIGHTS

Strong cash collection by the hospitals and the clinics segments reduced the balance of receivables from the healthcare services. The increased balance of inventory and payables relates to the stock-up in pharmacy and distribution business, to ensure that the business has enough medicines and major consumables in the country, in case of a significant virus outbreak. In Mar-20, GHG secured a new USD 25 million loan facility from EBRD, to provide additional contingent liquidity at holding level as well as for its businesses. As of 30 June 2020, USD 11.5 million was withdrawn out of the total EBRD loan, increasing balance of borrowed funds. However, overall GHG improved its net debt position following strong cash flow generation and in 1H20 the leverage was down 15.1% y-o-y.

CASH FLOW HIGHLIGHTS

GHG delivered strong cash flows from operating activities, up 63.1% y-o-y in 1H20 excluding IFRS 16 impact with EBITDA to cash conversion ratio of 143.8%. This together with reduced capex investments and inflow from proceeds resulted in GHG's solid cash position, with GEL 120 million cash and cash equivalents balance as of 30 June 2020.

Healthcare Services

Business description

GHG is the single largest market participant in the healthcare services industry, accounting for more than 23% of the country's total hospital bed capacity, as of 30 June 2020. Through its vertically integrated network of hospitals and clinics, the healthcare services business offers the most comprehensive range of inpatient and outpatient services, targeting the entire country's population and beyond.

Hospitals segment operates 18 referral hospitals with a total of 2,967 beds, providing secondary or tertiary level healthcare services, located in Tbilisi and major regional cities.

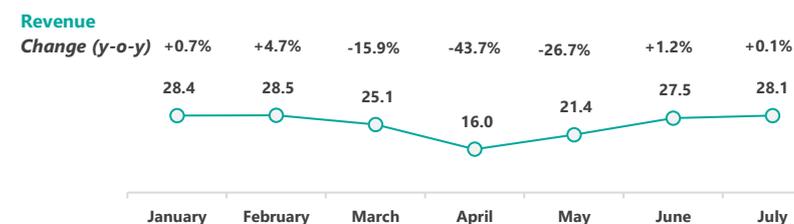
Clinics segment operates 34 healthcare facilities: a) 19 community clinics with a total of 353 beds, providing outpatient and basic inpatient healthcare services, located in regional towns and municipalities; b) 15 polyclinics, providing outpatient diagnostic and treatment services, located in Tbilisi and major regional cities.

In December 2018, GHG opened the largest diagnostics laboratory in the entire Caucasus region – Mega Laboratory ("Mega Lab"). GHG **owns 100%** in the healthcare services business as of 30 June 2020.

1H20 performance (GEL '000, unless otherwise noted)

| INCOME STATEMENT HIGHLIGHTS | 1H20 | 1H19 | Change, Y-o-Y | 2Q20 | 2Q19 | Change, Y-o-Y |
|--|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| Consolidated | | | | | | |
| Revenue, net | 146,824 | 169,954 | -13.6% | 64,844 | 84,715 | -23.5% |
| Gross Profit | 55,832 | 72,031 | -22.5% | 24,328 | 35,651 | -31.8% |
| Gross profit margin | 37.6% | 42.1% | -4.5ppts | 37.2% | 41.8% | -4.6ppts |
| Operating expenses excluding IFRS 16 | (29,914) | (29,929) | -0.1% | (15,351) | (14,835) | 3.5% |
| EBITDA excluding IFRS 16 | 25,918 | 42,102 | -38.4% | 8,977 | 20,816 | -56.9% |
| EBITDA margin, excluding IFRS 16 | 17.5% | 24.6% | -7.1ppts | 13.7% | 24.4% | -10.7ppts |
| Net (loss)/profit excluding IFRS 16 | (11,841) | 9,440 | NMF | (6,875) | 3,783 | NMF |
| Hospitals | | | | | | |
| Revenue, net | 125,350 | 147,998 | -15.3% | 55,380 | 73,686 | -24.8% |
| Gross Profit | 46,100 | 62,337 | -26.0% | 19,878 | 31,046 | -36.0% |
| Gross profit margin | 36.4% | 41.8% | -5.4ppts | 35.6% | 41.8% | -6.2ppts |
| Operating expenses excluding IFRS 16 | (23,644) | (24,335) | -2.8% | (12,170) | (12,206) | -0.3% |
| EBITDA excluding IFRS 16 | 22,456 | 38,002 | -40.9% | 7,708 | 18,840 | -59.1% |
| EBITDA margin, excluding IFRS 16 | 17.7% | 25.5% | -7.8ppts | 13.8% | 25.4% | -11.6ppts |
| Net loss/profit excluding IFRS 16 | (9,758) | 10,053 | NMF | (5,399) | 4,186 | NMF |
| Clinics | | | | | | |
| Revenue, net | 21,238 | 21,814 | -2.6% | 9,206 | 10,804 | -14.8% |
| Gross Profit | 9,373 | 9,347 | 0.3% | 4,113 | 4,581 | -10.2% |
| Gross profit margin | 43.7% | 42.5% | 1.2ppts | 44.1% | 42.1% | 2.0ppts |
| Operating expenses excluding IFRS 16 | (5,767) | (5,364) | 7.5% | (2,892) | (2,674) | 8.1% |
| EBITDA excluding IFRS 16 | 3,606 | 3,983 | -9.5% | 1,221 | 1,907 | -36.0% |
| EBITDA margin excluding IFRS 16 | 16.8% | 18.1% | -1.3ppts | 13.1% | 17.5% | -4.4ppts |
| Net loss excluding IFRS 16 | (1,640) | (586) | NMF | (1,372) | (398) | NMF |
| CASH FLOW HIGHLIGHTS | | | | | | |
| Cash flow from operating activities excluding IFRS 16 | 53,613 | 21,158 | 153.4% | 20,725 | 9,086 | 128.1% |
| EBITDA to cash conversion | 206.9% | 50.3% | 156.6ppts | 230.9% | 43.6% | 187.2ppts |
| Cash flow used in investing activities | (20,278) | (10,849) | 86.9% | (13,821) | (3,477) | 297.5% |
| Of which, capex | (13,689) | (17,383) | -21.3% | (5,472) | (9,345) | -41.4% |
| Free cash flow, excluding IFRS 16 | 33,335 | 10,309 | 223.4% | 6,904 | 5,609 | 23.1% |
| Cash flow from financing activities excluding IFRS 16 | 567 | (25,179) | NMF | 13,623 | (10,446) | NMF |
| Net Proceeds from borrowings | 10,447 | (7,510) | NMF | 16,847 | (177) | NMF |
| Cash and cash equivalents, ending balance | 41,958 | 3,277 | NMF | 41,958 | 3,277 | NMF |

MONTHLY PERFORMANCE IN 2020 (GEL millions, unless otherwise noted)



KEY POINTS

- Rebounding revenue and EBITDA trend in June at the healthcare services business
 - Revenue up 28.6% in June 2020 over May 2020; up 1.2% y-o-y in June 2020
- Cash flow from operating activities (excl. IFRS 16) up 153.4% y-o-y in 1H20

INCOME STATEMENT HIGHLIGHTS

Restrictions imposed related to the pandemic (lock-down, etc.) had a major impact on the hospitals and clinics segments, resulting in a reduction in patient footfall, both in terms of lower emergency treatment requirements, and the cancellation of many elective and outpatient care procedures during the lockdown. This reduction led to utilisation levels falling by c.45% in the hospitals and c.40% in the clinics in Mar-May period, y-o-y, affecting the 1H20 revenue growth. In line with the country's reopening plan, since June revenue started to rebound and the number of admissions at hospitals and clinics were up in June by c.60% over May (up by c.5% at hospitals and by c.16% at clinics, y-o-y). The recovery trend continued in July and revenue was up 0.1% y-o-y.

At hospitals 15.3% y-o-y decrease in 1H20 revenues resulted in increased direct salary rate (up 1.3% y-o-y in 1H20) due to the portion of the hospitals direct salaries being fixed. The increase in the materials rate (up 2.6% y-o-y in 1H20) reflects increased consumption of medical disposables and personal protective equipment. The direct salaries and materials rate were also affected by the new UHC regulation that reduced tariffs on certain medical treatments, while the cost base for these services remain the same. This translated into the gross margin decline of 5.4 ppts y-o-y in 1H20. **At clinics** well controlled direct cost base led to 1.2 ppts y-o-y increase in the gross margin, in 1H20.

As a result of negative operating leverage in hospitals and clinics segments, due to the fixed administrative salary base and pandemic related other operating expenses, the healthcare services EBITDA, excluding IFRS 16, was down 38.4% y-o-y in 1H20, with 17.7% EBITDA margin at hospitals and 16.8% EBITDA margin at clinics.

CASH FLOW HIGHLIGHTS

Cash collection from the Government led to increase in cash flow generation. Strong operating cash flow (up 153.4% y-o-y in 1H20) and reduced capex investments (down 21.3%) resulted in GEL 42.0 million ending cash and cash equivalent balance. The business net debt reduced by 9.6%, to 258.5 million y-o-y as of 30 June 2020.

RECENT DEVELOPMENTS - On 19 August 2020, GHG signed a Sales and Purchase Agreement to sell a 40% equity interest in High Technology Medical Centre University Clinic ("HTMC") to Tbilisi State Medical University, which intends to use it as a teaching platform (the "Sale"). Total cash consideration for the Sale, which is subject to regulatory approvals, is US\$ 12 million (GEL 36.8 million). Due to the HTMC's current shareholding structure (GHG owns 50%, while the other 50% is held by an individual shareholder and current CEO of the hospital) GHG has had less control over the Hospital's operations. GHG intends to sell the remaining 10% equity interest in the coming months. HTMC had a 13.0% and 9.8% share in the total healthcare business' assets and EBITDA, respectively, in 2019.

The Sale is in line with GHG's strategy to divest low-return generating assets. HTMC is one of the lowest return generating assets across GHG's hospital portfolio with a FY19 ROIC of 3.4%. The divestment, therefore, materially improves the Healthcare business ROIC - on a pro-forma basis, increasing FY19 healthcare business ROIC by 90bps. GHG intends to use proceeds from the Sale to reduce its net debt position and improve its leverage ratio, where the cost of GEL-denominated debt is approximately 11.5%.

Pharmacy & Distribution

Business description

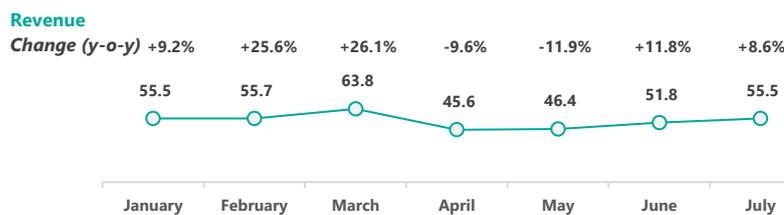
GHG is the largest pharmaceuticals retailer and wholesaler, with a c.32% market share by revenue. The Pharmacy and Distribution business consists of a retail pharmacy chain and a wholesale business which sells pharmaceuticals and medical supplies to hospitals inside and outside the GHG group and to pharmacies outside the GHG group. The pharmacy chain operates two brands, Pharmadepot and GPC, with a total of 299 pharmacies, of which 21 are located within GHG's healthcare facilities. The Pharmacy and Distribution business is the country's largest retailer in terms of both revenue and number of bills issued.

GHG owns 66.7% in the pharmacy and distribution business as of 30 June 2020.

1H20 performance (GEL '000, unless otherwise noted)

| INCOME STATEMENT HIGHLIGHTS | 1H20 | 1H19 | Change, Y-o-Y | 2Q20 | 2Q19 | Change, Y-o-Y |
|--|----------------|-----------------|---------------|----------------|-----------------|---------------|
| Revenue, net | 318,840 | 295,193 | 8.0% | 143,811 | 149,414 | -3.7% |
| Gross Profit | 83,718 | 74,249 | 12.8% | 38,433 | 35,951 | 6.9% |
| Gross profit margin | 26.3% | 25.2% | 1.1ppts | 26.7% | 24.1% | 2.6ppts |
| Operating expenses excluding IFRS 16 | (50,090) | (43,341) | 15.6% | (23,391) | (20,604) | 13.5% |
| EBITDA excluding IFRS 16 | 33,628 | 30,908 | 8.8% | 15,042 | 15,347 | -2.0% |
| EBITDA margin, excluding IFRS 16 | 10.5% | 10.5% | NMF | 10.5% | 10.3% | 0.2ppts |
| Depreciation and amortisation excluding IFRS 16 | (1,887) | (1,426) | 32.3% | (964) | (738) | 30.6% |
| Net interest income (expense) excluding IFRS 16 | (5,639) | (5,892) | -4.3% | (2,703) | (2,943) | -8.2% |
| Foreign exchange (loss) gain excluding IFRS 16 | (4,566) | (3,088) | 47.9% | 4,874 | (3,294) | NMF |
| Net profit excluding IFRS 16 | 20,519 | 20,371 | 0.7% | 16,234 | 8,235 | 97.1% |
| CASH FLOW HIGHLIGHTS | | | | | | |
| Cash flow from operating activities excluding IFRS 16 | 33,376 | 30,892 | 8.0% | 24,304 | 17,449 | 39.3% |
| EBITDA to cash conversion | 99.3% | 99.9% | -0.6ppts | 161.6% | 113.7% | 47.9ppts |
| Cash flow used in investing activities | (418) | (240) | 74.2% | (74) | 4,716 | NMF |
| Of which, capex | (2,384) | (3,253) | -26.7% | (933) | (1,815) | -48.6% |
| Free cash flow, excluding IFRS 16 | 32,958 | 30,652 | 7.5% | 24,230 | 22,165 | 9.3% |
| Cash flow from financing activities excluding IFRS 16 | 14,773 | (38,404) | NMF | 6,201 | (19,893) | NMF |
| Net Proceeds from borrowings | 35,910 | (21,514) | NMF | 15,078 | (12,836) | NMF |
| Cash and cash equivalents, ending balance | 56,797 | 9,702 | NMF | 56,797 | 9,702 | NMF |

MONTHLY PERFORMANCE IN 2020 (GEL millions, unless otherwise noted)



KEY POINTS

- 8.0% revenue growth and 8.8% EBITDA growth in 1H20, y-o-y
- Gross profit margin improved by 1.1 ppts y-o-y in 1H20
- 10.5% EBITDA margin in 1H20, substantially exceeding the targeted 9% margin
- Strong cash collection with 99.3% EBITDA to cash conversion ratio in 1H20
- Added 20 pharmacies over the last 12 months, expanding from 279 to 299 stores

INCOME STATEMENT HIGHLIGHTS

The pharmacy and distribution business continued to deliver growing revenues in 2020, reflecting both expansion and organic sales growth, with 5.8% same store revenue growth rate in 1H20. The strong 1Q20 results reflect pandemic related behavioural change, as citizens started to stock up on pharmaceuticals in March ahead of the lockdown. From April the sales started to slow down, however, revenue rebounded in June and overall, in 2Q20 revenue was down slightly by 3.7% y-o-y. The business issued 13.4 million bills in 1H20, with average customer interactions of 2.2 million per month and the average bill size of GEL 16.5 (up 19.6% y-o-y).

In 1H20, the retail revenue share in total revenue was 74.0% (71.0% in 1H19) and revenue from para-pharmacy as a percentage of retail revenue from pharma was 34.0% (30.3% in 1H19). Revenues from sales in high-margin non-medication categories (personal care, beauty and other parapharmacy products) were up 21.1% y-o-y in 1H20 to GEL 81.6 million, with 33.5% gross profit margin improving by 3.1 ppts y-o-y. As a result, the gross profit margin reached 26.3% in the pharmacy and distribution business in 1H20 (up 1.1ppts y-o-y).

The operating leverage was negative 2.8% excluding IFRS 16 impact in 1H20 reflecting: a) the 92.0% y-o-y decrease in other operating income to GEL 0.2 million due to gain from sale of land in prior year and b) increased rent expense of pharmacies in 1Q20 due to GEL devaluation (about 85% of rental contracts are denominated in US dollars), translating into 14% y-o-y increase in 1H20 general and administrative expense excluding IFRS 16 impact to GEL 22.6 million. As a result, the business posted an 8.8% y-o-y increase in 1H20 EBITDA excluding IFRS 16, with 10.5% EBITDA margin.

The increase in depreciation and amortisation expense reflects investments in different projects such as the Body Shop and software development. Interest expense, excluding IFRS 16 was down 7.9% q-o-q, translating into 4.3% reduction for the 1H20. As the inventory purchases in the pharmacy and distribution business are denominated in foreign currency (c.40% in EUR and c.30% in USD), depreciation of local currency in 1Q20 resulted in quarterly FX loss from the revaluation of accounts payable balances. From the beginning of 2Q20 GEL started to appreciate against USD and therefore, the business posted an FX gain in 2Q20, but overall, in 1H20 the loss from foreign currency, excluding IFRS 16 was GEL 4.6 million. As a result, the pharmacy and distribution business's profit increased slightly y-o-y in 1H20, up 70 bps, reaching GEL 20.5 million.

BALANCE SHEET HIGHLIGHTS

The increased balance of inventory, prepayments and accounts payables relates to the business stock-up, to ensure that we have enough medicines and major consumables in the country, in case of a significant virus outbreak. To increase the liquidity as a precautionary measure in response to the pandemic, the business has drawn down amounts available on credit lines and also received its portion, USD 5 million, of the EBRD loan. These increased the balance of borrowed funds, but the net debt was reduced by 23.3%.

CASH FLOW HIGHLIGHTS

The business' strong operating cash flow with 99.3% EBITDA to cash conversion ratio, decreased capex investments and the proceed from borrowings described above, resulted in ending balance of cash and cash equivalents of GEL 56.8 million as of 30 June 2020.

Medical Insurance

Business description

GHG is Georgia's largest provider of private medical insurance, with a 25.3% market share based on 1Q20 net insurance premiums. GHG has a wide distribution network and offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients. GHG has c.175,000 persons insured as at 30 June 2020. The medical insurance business plays an important role in GHG's business model, as it is a significant feeder for its polyclinics, pharmacies and hospitals.

GHG **owns 100%** in the medical insurance business as of 30 June 2020.

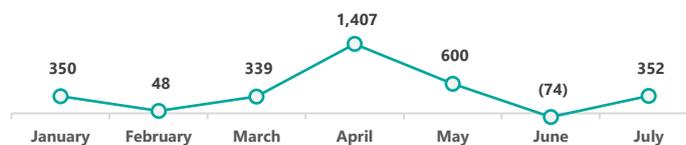
1H20 performance (GEL '000, unless otherwise noted)

| INCOME STATEMENT HIGHLIGHTS | 1H20 | 1H19 | Change, Y-o-Y | 2Q20 | 2Q19 | Change, Y-o-Y |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Net insurance premiums earned | 34,559 | 36,366 | -5.0% | 16,491 | 18,873 | -12.6% |
| Gross Profit | 7,988 | 4,450 | 79.5% | 4,985 | 2,640 | 88.8% |
| Operating expenses excluding IFRS 16 | (4,964) | (2,665) | 86.3% | (2,710) | (1,417) | 91.2% |
| EBITDA excluding IFRS 16 | 3,024 | 1,785 | 69.4% | 2,275 | 1,223 | 86.0% |
| EBITDA margin, excluding IFRS 16 | 8.8% | 4.9% | 3.9ppts | 13.8% | 6.5% | 7.3ppts |
| Depreciation and amortisation excluding IFRS 16 | (394) | (380) | 3.7% | (205) | (191) | 7.3% |
| Net interest income (expense) excluding IFRS 16 | 793 | 313 | NMF | 417 | 186 | NMF |
| Foreign exchange (loss) gain excluding IFRS 16 | 8 | 71 | -88.7% | 2 | 8 | -75.0% |
| Net profit before income tax excluding IFRS 16 | 3,273 | 1,789 | 83.0% | 2,331 | 1,226 | 90.1% |
| Income tax benefit/(expense) | (603) | (288) | NMF | (398) | (203) | 96.1% |
| Net profit excluding IFRS 16 | 2,670 | 1,501 | 77.9% | 1,933 | 1,023 | 89.0% |
| CASH FLOW HIGHLIGHTS | | | | | | |
| Cash flow from operating activities | 3,010 | 3,121 | -3.6% | 1,777 | 2,401 | -26.0% |
| EBITDA to cash conversion | 99.5% | 174.8% | -75.3ppts | 78.1% | 196.3% | -118.2% |
| Cash flow used in investing activities | 814 | (501) | NMF | 63 | 277 | -77.1% |
| Of which, capex | (172) | (29) | NMF | (97) | - | NMF |
| Free cash flow, excluding IFRS 16 | 3,824 | 2,620 | 46.0% | 1,840 | 2,678 | -31.3% |
| Cash flow from financing activities, excluding IFRS 16 | 435 | (758) | NMF | (717) | (577) | NMF |
| Net Proceeds from borrowings | 1,600 | (300) | NMF | - | (300) | NMF |
| Cash and cash equivalents, ending balance | 21,284 | 14,228 | 49.6% | 21,284 | 14,228 | 49.6% |

MONTHLY PERFORMANCE IN 2020 (GEL thousands, unless otherwise noted)

Net profit, excluding IFRS 16

Change (y-o-y) +115.8% -59.9% +72.1% Up 3.8x +123.9% -119.4% -45.1%



KEY POINTS

- Improved claims retention rates within GHG group – up 2.3% y-o-y in 1H20
- Improved loss ratio by 10.5% y-o-y to 73.4% in 1H20
- Insurance renewal rate at 71.3% in 1H20 (77.5% in 1H19)

INCOME STATEMENT HIGHLIGHTS

The 5% decline in 1H20 revenues reflects the decrease in the number of insured clients to c.175,000 as of 30 June 2020 from c.236,000 as of 31 December 2019, mainly due to the expiry of Ministry of Defence contract from February 2020. This will reduce the medical insurance business revenue in the coming quarters but will have immaterial impact on earnings, as the client loss ratio was far above the business' average.

Various incentives such as direct settlement of claims with the provider mean that, on top of its own positive contribution to GHG's profitability, the medical insurance business plays a feeder role in originating and directing patients to GHG's healthcare facilities, mainly to polyclinics and to pharmacies. As GHG business has expanded, the claims retention rates within GHG improved (i.e., reimbursements of GHG's customers' healthcare costs that are paid to other GHG group entities).

Claims retention rates

| | 1H20 | 1H19 | Change, Y-o-Y |
|--------------------------------------|-------|-------|---------------|
| Total claims retained within the GHG | 43.4% | 41.1% | +2.3 ppts |
| Total claims retained in outpatient | 41.1% | 40.6% | +0.5 ppts |

In 1H20, the medical insurance claims expense was GEL 25.4 million (down 16.8%), of which GEL 11.5 million (45.2% of the total) was inpatient, GEL 8.7 million (34.3% of total) was outpatient and GEL 5.2 million (20.6% of total) was accounted for by drugs. Impairment expense was up from GEL 0.2 million in 1H19 to GEL 1.0 million in 1H20, driving 86.3% y-o-y increase in 1H20 operating expenses to GEL 5.0 million. The increase in impairment expense reflects a decline in receivables collection, mostly from travel agencies, as small businesses began to struggle due to the current circumstances caused by the pandemic. The loss ratio improved by 10.5 ppts in 1H20 y-o-y, from 83.9% to 73.4%. Improvement is mainly attributable to the decreased traffic at hospitals and clinics due to the pandemic as well as to the expiry of Ministry of Defence contract which had a loss ratio far above the average level for the business. The combined ratio was also down by 3.7 ppts in 1H20 to 92.4% and consequently EBITDA, excluding IFRS 16 impact, grew by 69.4%, contributing GEL 2.7 million profit to GHG in 1H20.

BALANCE SHEET HIGHLIGHTS

The majority of medical insurance contracts expire and renew in January every year, causing the insurance premiums receivable as well as insurance contract liabilities balances to increase in the first quarter and reduce gradually in line with contract amortisation terms. As a precautionary measure to increase the liquidity in times of pandemic the medical insurance business has also drawn its credit line which increased the balance of borrowed funds and available cash respectively.

CASH FLOW HIGHLIGHTS

The medical insurance business almost doubled its cash and cash equivalents balance since 31 December 2019, with 99.5% EBITDA to cash conversion ratio, ending cash totalling GEL 21.3 million.

SELECTED FINANCIAL INFORMATION - GHG

INCOME STATEMENT

GEL thousands, unless otherwise noted

| | 1H20 | 1H19 | Change | 2Q20 | 2Q19 | Change |
|---|------------------|------------------|-----------------|------------------|------------------|-----------------|
| Revenue, gross | 474,522 | 472,872 | 0.3% | 214,469 | 237,660 | -9.8% |
| Corrections & rebates | (1,593) | (1,164) | 36.9% | (636) | (605) | 5.1% |
| Revenue, net | 472,929 | 471,708 | 0.3% | 213,833 | 237,055 | -9.8% |
| Costs of services | (326,096) | (321,660) | 1.4% | (146,393) | (163,163) | -10.3% |
| Cost of salaries and other employee benefits | (51,608) | (56,533) | -8.7% | (23,120) | (28,578) | -19.1% |
| Cost of materials and supplies | (26,325) | (24,477) | 7.5% | (11,971) | (12,064) | -0.8% |
| Cost of medical service providers | (1,139) | (1,869) | -39.1% | (374) | (1,070) | -65.0% |
| Cost of utilities and other | (7,739) | (7,780) | -0.5% | (3,300) | (3,443) | -4.2% |
| Net insurance claims incurred | (19,863) | (23,440) | -15.3% | (8,647) | (11,812) | -26.8% |
| Agents, brokers and employee commissions | (1,196) | (1,415) | -15.5% | (551) | (646) | -14.7% |
| Cost of pharma – wholesale | (51,220) | (56,416) | -9.2% | (22,709) | (29,184) | -22.2% |
| Cost of pharma – retail | (167,006) | (149,730) | 11.5% | (75,721) | (76,366) | -0.8% |
| Gross profit | 146,833 | 150,048 | -2.1% | 67,440 | 73,892 | -8.7% |
| Salaries and other employee benefits | (49,589) | (47,317) | 4.8% | (24,123) | (23,922) | 0.8% |
| General and administrative expenses | (21,753) | (19,710) | 10.4% | (10,090) | (10,030) | 0.6% |
| <i>General and administrative expenses excluding IFRS 16</i> | <i>(33,023)</i> | <i>(30,097)</i> | <i>9.7%</i> | <i>(15,364)</i> | <i>(15,290)</i> | <i>0.5%</i> |
| Impairment of receivables | (3,310) | (2,312) | 43.2% | (1,995) | (1,140) | 75.0% |
| Other operating income | 1,658 | 4,454 | -62.8% | 333 | 3,826 | -91.3% |
| EBITDA | 73,839 | 85,163 | -13.3% | 31,565 | 42,626 | -25.9% |
| EBITDA excluding IFRS 16 | 62,569 | 74,776 | -16.3% | 26,291 | 37,365 | -29.6% |
| EBITDA margin excluding IFRS 16 | 13.2% | 15.8% | -2.6ppts | 12.3% | 15.7% | -3.5ppts |
| Depreciation and amortization | (29,185) | (26,809) | 8.9% | (14,686) | (13,633) | 7.7% |
| <i>Depreciation and amortization excluding IFRS 16</i> | <i>(19,561)</i> | <i>(17,654)</i> | <i>10.8%</i> | <i>(9,844)</i> | <i>(8,975)</i> | <i>9.7%</i> |
| Net interest income (expense) | (24,490) | (23,353) | 4.9% | (11,864) | (11,715) | 1.3% |
| <i>Net interest income (expense) excluding IFRS 16</i> | <i>(21,385)</i> | <i>(20,702)</i> | <i>3.3%</i> | <i>(10,279)</i> | <i>(10,341)</i> | <i>-0.6%</i> |
| Net gains/(losses) from foreign currencies | (10,424) | (8,995) | 15.9% | 11,477 | (8,846) | NMF |
| <i>Net gains/(losses) from foreign currencies excluding IFRS 16</i> | <i>(6,393)</i> | <i>(4,244)</i> | <i>50.6%</i> | <i>7,086</i> | <i>(4,388)</i> | <i>NMF</i> |
| Net non-recurring income/(expense) | (2,334) | (527) | NMF | (1,567) | (371) | NMF |
| Profit before income tax expense | 7,406 | 25,479 | -70.9% | 14,925 | 8,062 | 85.1% |
| Income tax benefit/(expense) | (1,548) | (357) | NMF | (398) | (272) | 46.3% |
| Profit for the period | 5,858 | 25,122 | -76.7% | 14,527 | 7,790 | 86.5% |
| Attributable to: | - | - | | | | |
| - shareholders of the Company | (1,932) | 15,571 | NMF | 7,732 | 4,256 | 81.7% |
| - non-controlling interests | 7,790 | 9,551 | -18.4% | 6,795 | 3,534 | 92.3% |
| Profit for the period excluding IFRS 16 | 11,348 | 31,292 | -63.7% | 11,289 | 13,019 | -13.3% |
| Attributable to: | | | | | | |
| - shareholders of the Company | 2,079 | 20,278 | -89.7% | 5,443 | 8,281 | -34.3% |
| - non-controlling interests | 9,269 | 11,014 | -15.8% | 5,846 | 4,738 | 23.4% |

SELECTED FINANCIAL INFORMATION – GHG, *continued*

STATEMENT OF CASH FLOW

| <i>GEL thousands, unless otherwise noted</i> | 1H20 | 1H19 | Change | 2Q20 | 2Q19 | Change |
|--|-----------------|-----------------|---------------|----------------|-----------------|---------------|
| Cash flows from / (used in) operating activities | | | | | | |
| Revenue received | 499,674 | 451,829 | 10.6% | 239,602 | 233,963 | 2.4% |
| Cost of services paid | (321,039) | (318,412) | 0.8% | (146,883) | (163,308) | -10.1% |
| Gross profit received | 178,635 | 133,417 | 33.9% | 92,718 | 70,655 | 31.2% |
| Salaries paid | (52,825) | (47,439) | 11.4% | (30,287) | (25,263) | 19.9% |
| General and administrative expenses paid | (22,294) | (20,432) | 9.1% | (9,425) | (10,297) | -8.5% |
| General and administrative expenses paid, excluding IFRS 16 | (33,564) | (30,984) | 8.3% | (14,699) | (15,881) | -7.4% |
| Other operating income/(expense) and tax paid | (612) | 370 | NMF | (458) | (468) | -2.1% |
| Net cash flows from operating activities before income tax | 102,904 | 65,916 | 56.1% | 52,548 | 34,627 | 51.8% |
| Income tax paid | (1,636) | (194) | NMF | (469) | (108) | NMF |
| Net cash flows from operating activities | 101,268 | 65,722 | 54.1% | 52,079 | 34,519 | 50.9% |
| Net cash flows from operating activities, excluding IFRS 16 | 89,998 | 55,170 | 63.1% | 46,805 | 28,935 | 61.8% |
| Cash flows from / (used in) investing activities | | | | | | |
| Cash outflow on Capex | (16,245) | (20,665) | -21.4% | (6,502) | (11,160) | -41.7% |
| Acquisition of subsidiaries/payments of holdback | (5,445) | (6,101) | -10.8% | - | (877) | NMF |
| Interest income received | 1,675 | 1,243 | 34.8% | 1,259 | 917 | 37.3% |
| Other investing activities | 1,034 | 3,516 | -70.6% | 860 | 3,249 | -73.5% |
| Net cash flow used in investing activities | (18,981) | (22,007) | -13.8% | (4,383) | (7,871) | -44.3% |
| Cash flows from / (used in) financing activities | | | | | | |
| Payment of dividends to minorities | (6,036) | (4,950) | 21.9% | (2,316) | (1,980) | 17.0% |
| Purchase of treasury shares | (1,452) | (1,582) | -8.2% | (1,452) | (1,272) | 14.2% |
| Payment of finance lease liabilities | (8,165) | (7,949) | 2.7% | (3,689) | (4,248) | -13.2% |
| Interest expense paid on finance lease | (3,105) | (2,603) | 19.3% | (1,585) | (1,336) | 18.6% |
| Increase/(decrease) in borrowings | 32,633 | (29,094) | NMF | 16,602 | (8,083) | NMF |
| Interest expense paid | (10,271) | (18,297) | -43.9% | (3,175) | (10,192) | -68.9% |
| Net cash flows (used in)/from financing activities | 3,604 | (64,475) | NMF | 4,385 | (27,111) | NMF |
| Net cash flows (used in)/from financing activities, excluding IFRS 16 | 14,874 | (53,923) | NMF | 9,659 | (21,527) | NMF |
| Effect of exchange rates changes on cash and cash equivalents | 2,142 | 6 | NMF | (205) | 74 | NMF |
| Net increase/(decrease) in cash and cash equivalents | 88,033 | (20,754) | NMF | 51,875 | (388) | NMF |
| Cash and bank deposits, beginning | 32,005 | 47,961 | -33.3% | 68,163 | 27,595 | 147.0% |
| Cash and bank deposits, ending | 120,039 | 27,207 | NMF | 120,039 | 27,207 | NMF |

BALANCE SHEET

| <i>GEL thousands, unless otherwise noted</i> | Jun-20 | Dec-19 | Change | Jun-19 | Change |
|--|------------------|------------------|--------------|------------------|--------------|
| Total assets, of which: | 1,428,717 | 1,351,207 | 5.70% | 1,329,411 | 7.50% |
| Cash and bank deposits | 120,039 | 32,005 | NMF | 27,207 | NMF |
| Receivables from healthcare services | 99,183 | 130,212 | -23.8% | 124,050 | -20.0% |
| Receivables from sale of pharmaceuticals | 16,951 | 17,508 | -3.2% | 18,808 | -9.9% |
| Insurance premiums receivable | 34,675 | 26,892 | 28.9% | 44,737 | -22.5% |
| Property and equipment | 663,405 | 671,658 | -1.2% | 672,785 | -1.4% |
| Right of use assets | 77,764 | 84,115 | -7.6% | 79,908 | -2.7% |
| Goodwill and other intangible assets | 165,786 | 162,247 | 2.2% | 156,042 | 6.2% |
| Inventory | 188,606 | 174,462 | 8.1% | 157,132 | 20.0% |
| Prepayments | 16,122 | 12,289 | 31.2% | 14,156 | 13.9% |
| Other assets | 46,186 | 39,819 | 16.0% | 34,586 | 33.5% |
| <i>Of which, securities</i> | <i>4,431</i> | <i>-</i> | <i>NMF</i> | <i>-</i> | <i>NMF</i> |
| Total liabilities, of which: | 835,192 | 748,933 | 11.5% | 757,709 | 10.2% |
| Borrowed Funds | 414,540 | 363,585 | 14.0% | 368,895 | 12.4% |
| Accounts payable | 144,975 | 128,700 | 12.6% | 119,784 | 21.0% |
| Insurance contract liabilities | 33,704 | 25,489 | 32.2% | 43,160 | -21.9% |
| Finance lease liabilities, of which: | 89,739 | 90,791 | -1.2% | 85,942 | 4.4% |
| <i>IFRS 16 impact</i> | <i>81,063</i> | <i>82,115</i> | <i>-1.3%</i> | <i>77,266</i> | <i>4.9%</i> |
| Other liabilities | 152,234 | 140,368 | 8.5% | 139,928 | 8.8% |
| Total shareholders' equity attributable to: | 593,525 | 602,274 | -1.5% | 571,702 | 3.8% |
| <i>Shareholders of the Company</i> | <i>521,702</i> | <i>530,899</i> | <i>-1.7%</i> | <i>502,640</i> | <i>3.8%</i> |
| <i>Non-controlling interest</i> | <i>71,823</i> | <i>71,375</i> | <i>0.6%</i> | <i>69,062</i> | <i>4.0%</i> |

SELECTED FINANCIAL INFORMATION – Healthcare Services

| INCOME STATEMENT | Hospitals | | | Clinics | | | Diagnostics | | | Eliminations | | | Total | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|-----------------|----------------|----------------|-----------------|-----------------|-----------------|--|
| <i>GEL thousands, unless otherwise noted</i> | 1H20 | 1H19 | Change | 1H20 | 1H19 | Change | 1H20 | 1H19 | Change | 1H20 | 1H19 | 1H20 | 1H19 | Change | |
| Revenue, gross | 126,720 | 148,992 | -14.9% | 21,461 | 21,984 | -2.4% | 3,447 | 2,285 | 50.9% | (3,211) | (2,143) | 148,417 | 171,118 | -13.3% | |
| Corrections & rebates | (1,370) | (994) | 37.8% | (223) | (170) | 31.2% | - | - | - | - | - | (1,593) | (1,164) | 36.9% | |
| Revenue, net | 125,350 | 147,998 | -15.3% | 21,238 | 21,814 | -2.6% | 3,447 | 2,285 | 50.9% | (3,211) | (2,143) | 146,824 | 169,954 | -13.6% | |
| Costs of services | (79,250) | (85,661) | -7.5% | (11,865) | (12,467) | -4.8% | (3,090) | (1,605) | 92.5% | 3,213 | 1,810 | (90,992) | (97,923) | -7.1% | |
| Cost of salaries and other employee benefits | (45,367) | (51,430) | -11.8% | (7,306) | (7,632) | -4.3% | (770) | (549) | 40.3% | - | - | (53,443) | (59,611) | -10.3% | |
| Cost of materials and supplies | (24,793) | (25,300) | -2.0% | (1,397) | (1,398) | -0.1% | (2,051) | (821) | NMF | - | (329) | (28,241) | (27,848) | 1.4% | |
| Cost of medical service providers | (2,429) | (2,107) | 15.3% | (1,788) | (2,247) | -20.4% | (50) | (46) | 8.7% | 2,981 | 2,133 | (1,286) | (2,267) | -43.3% | |
| Cost of utilities and other | (6,661) | (6,824) | -2.4% | (1,374) | (1,190) | 15.5% | (219) | (189) | 15.9% | 232 | 6 | (8,022) | (8,197) | -2.1% | |
| Gross profit | 46,100 | 62,337 | -26.0% | 9,373 | 9,347 | 0.3% | 357 | 680 | -47.5% | 2 | (333) | 55,832 | 72,031 | -22.5% | |
| Salaries and other employee benefits | (16,606) | (16,109) | 3.1% | (3,925) | (3,539) | 10.9% | (454) | (515) | -11.8% | - | - | (20,985) | (20,163) | 4.1% | |
| General and administrative expenses | (6,192) | (6,989) | -11.4% | (1,654) | (1,419) | 16.6% | (122) | (149) | -18.1% | 25 | (51) | (7,943) | (8,608) | -7.7% | |
| <i>G&A excl. IFRS 16</i> | <i>(6,371)</i> | <i>(7,288)</i> | <i>-12.6%</i> | <i>(2,232)</i> | <i>(2,174)</i> | <i>2.7%</i> | <i>(122)</i> | <i>(160)</i> | <i>-23.8%</i> | <i>25</i> | <i>(51)</i> | <i>(8,700)</i> | <i>(9,673)</i> | <i>-10.1%</i> | |
| Impairment of receivables | (2,137) | (2,265) | -5.7% | (55) | (90) | -38.9% | - | (4) | NMF | - | - | (2,192) | (2,359) | -7.1% | |
| Other operating income | 1,470 | 1,327 | 10.8% | 445 | 439 | 1.4% | 100 | 96 | 4.2% | (52) | 404 | 1,963 | 2,266 | -13.4% | |
| EBITDA | 22,635 | 38,301 | -40.9% | 4,184 | 4,738 | -11.7% | (119) | 108 | NMF | (25) | 20 | 26,675 | 43,167 | -38.2% | |
| EBITDA excluding IFRS 16 | 22,456 | 38,002 | -40.9% | 3,606 | 3,983 | -9.5% | (119) | 97 | NMF | (25) | 20 | 25,918 | 42,102 | -38.4% | |
| EBITDA margin excluding IFRS 16 | 17.7% | 25.5% | -7.8ppts | 16.8% | 18.1% | -1.3ppts | -3.5% | 4.2% | -7.7ppts | (25) | 20 | 17.5% | 24.6% | -7.1ppts | |
| Depreciation and amortization | (14,763) | (13,599) | 8.6% | (3,558) | (3,290) | 8.1% | (63) | (132) | -52.3% | - | - | (18,384) | (17,021) | 8.0% | |
| <i>Depreciation and amortization excl. IFRS 16</i> | <i>(14,384)</i> | <i>(13,244)</i> | <i>8.6%</i> | <i>(2,834)</i> | <i>(2,485)</i> | <i>14.0%</i> | <i>(63)</i> | <i>(119)</i> | <i>-47.1%</i> | <i>-</i> | <i>-</i> | <i>(17,281)</i> | <i>(15,848)</i> | <i>9.0%</i> | |
| Net interest income (expense) | (14,060) | (13,233) | 6.2% | (2,594) | (2,212) | 17.3% | (233) | (1) | NMF | - | - | (16,887) | (15,446) | 9.3% | |
| <i>Net interest income (expense) excl. IFRS 16</i> | <i>(13,975)</i> | <i>(13,168)</i> | <i>6.1%</i> | <i>(2,331)</i> | <i>(1,955)</i> | <i>19.2%</i> | <i>(233)</i> | <i>-</i> | <i>NMF</i> | <i>-</i> | <i>-</i> | <i>(16,539)</i> | <i>(15,123)</i> | <i>9.4%</i> | |
| Net gains/(losses) from foreign currencies | (1,924) | (1,552) | 24.0% | (176) | (895) | -80.3% | (3) | (20) | -85.0% | - | - | (2,103) | (2,467) | -14.8% | |
| <i>Net gains/(losses) from FX excl. IFRS 16</i> | <i>(1,848)</i> | <i>(1,145)</i> | <i>61.4%</i> | <i>16</i> | <i>(62)</i> | <i>NMF</i> | <i>(3)</i> | <i>(20)</i> | <i>-85.0%</i> | <i>-</i> | <i>-</i> | <i>(1,835)</i> | <i>(1,227)</i> | <i>49.6%</i> | |
| Net non-recurring income/(expense) | (2,007) | (392) | NMF | (97) | (67) | 44.8% | - | (5) | NMF | - | - | (2,104) | (464) | NMF | |
| Profit before income tax expense | (10,119) | 9,525 | NMF | (2,241) | (1,726) | 29.8% | (418) | (50) | NMF | (25) | 20 | (12,803) | 7,769 | NMF | |
| Profit for the period | (10,119) | 9,525 | NMF | (2,241) | (1,726) | 29.8% | (418) | (50) | NMF | (25) | 20 | (12,803) | 7,769 | NMF | |
| Attributable to: | | | | | | | | | | | | | | | |
| - shareholders of the Company | (10,521) | 6,754 | NMF | (2,288) | (1,760) | 30.0% | (418) | (50) | NMF | (25) | 20 | (13,252) | 4,964 | NMF | |
| - non-controlling interests | 402 | 2,771 | -85.5% | 47 | 34 | 38.2% | - | - | - | - | - | 449 | 2,805 | -84.0% | |
| Profit for the period excluding IFRS 16 | (9,758) | 10,053 | NMF | (1,640) | (586) | NMF | (418) | (47) | NMF | (25) | 20 | (11,841) | 9,440 | NMF | |
| Attributable to: | | | | | | | | | | | | | | | |
| - shareholders of the Company | (10,160) | 7,282 | NMF | (1,687) | (620) | NMF | (418) | (47) | NMF | (25) | 20 | (12,290) | 6,635 | NMF | |
| - non-controlling interests | 402 | 2,771 | -85.5% | 47 | 34 | 38.2% | - | - | NMF | - | - | 449 | 2,805 | -84.0% | |

SELECTED FINANCIAL INFORMATION – Healthcare Services, *continued*

| INCOME STATEMENT | Hospitals | | | Clinics | | | Diagnostics | | | Eliminations | | | Total | | |
|--|-----------------|-----------------|-------------------|----------------|----------------|------------------|----------------|--------------|------------------|----------------|--------------|-----------------|-----------------|-------------------|--|
| <i>GEL thousands, unless otherwise noted</i> | 2Q20 | 2Q19 | Change | 2Q20 | 2Q19 | Change | 2Q20 | 2Q19 | Change | 2Q20 | 2Q19 | 2Q20 | 2Q19 | Change | |
| Revenue, gross | 55,901 | 74,218 | -24.7% | 9,321 | 10,877 | -14.3% | 1,781 | 1,131 | 57.5% | (1,523) | (906) | 65,480 | 85,320 | -23.3% | |
| Corrections & rebates | (521) | (532) | -2.1% | (115) | (73) | 57.5% | - | - | - | - | - | (636) | (605) | 5.1% | |
| Revenue, net | 55,380 | 73,686 | -24.8% | 9,206 | 10,804 | -14.8% | 1,781 | 1,131 | 57.5% | (1,523) | (906) | 64,844 | 84,715 | -23.5% | |
| Costs of services | (35,502) | (42,640) | -16.7% | (5,093) | (6,223) | -18.2% | (1,476) | (774) | 90.7% | 1,555 | 573 | (40,516) | (49,064) | -17.4% | |
| Cost of salaries and other employee benefits | (20,285) | (26,189) | -22.5% | (3,195) | (3,789) | -15.7% | (367) | (260) | 41.2% | - | - | (23,847) | (30,238) | -21.1% | |
| Cost of materials and supplies | (11,198) | (12,281) | -8.8% | (650) | (721) | -9.8% | (983) | (428) | NMF | - | (329) | (12,831) | (13,759) | -6.7% | |
| Cost of medical service providers | (1,066) | (1,095) | -2.6% | (780) | (1,183) | -34.1% | (40) | (45) | -11.1% | 1,454 | 896 | (432) | (1,427) | -69.7% | |
| Cost of utilities and other | (2,953) | (3,075) | -4.0% | (468) | (530) | -11.7% | (86) | (41) | NMF | 101 | 6 | (3,406) | (3,640) | -6.4% | |
| Gross profit | 19,878 | 31,046 | -36.0% | 4,113 | 4,581 | -10.2% | 305 | 357 | -14.6% | 32 | (333) | 24,328 | 35,651 | -31.8% | |
| Salaries and other employee benefits | (8,316) | (8,157) | 2.0% | (1,963) | (1,783) | 10.1% | (295) | (281) | 5.1% | - | - | (10,574) | (10,220) | 3.5% | |
| General and administrative expenses | (3,149) | (3,741) | -15.8% | (719) | (791) | -9.1% | (30) | (71) | -57.7% | 7 | (51) | (3,891) | (4,654) | -16.4% | |
| <i>G&A excl. IFRS 16</i> | <i>(3,203)</i> | <i>(3,861)</i> | <i>-17.0%</i> | <i>(981)</i> | <i>(1,092)</i> | <i>-10.2%</i> | <i>(30)</i> | <i>(76)</i> | <i>-60.6%</i> | <i>7</i> | <i>(51)</i> | <i>(4,207)</i> | <i>(5,080)</i> | <i>-17.2%</i> | |
| Impairment of receivables | (984) | (1,128) | -12.8% | (35) | (15) | NMF | - | - | NMF | - | - | (1,019) | (1,143) | -10.8% | |
| Other operating income | 333 | 940 | -64.6% | 87 | 216 | -59.7% | 47 | 49 | -4.1% | (18) | 404 | 449 | 1,609 | -72.1% | |
| EBITDA | 7,762 | 18,960 | -59.1% | 1,483 | 2,208 | -32.8% | 27 | 54 | -50.3% | 21 | 20 | 9,293 | 21,243 | -56.3% | |
| EBITDA excluding IFRS 16 | 7,708 | 18,840 | -59.1% | 1,221 | 1,907 | -36.0% | 27 | 49 | -45.0% | 21 | 20 | 8,977 | 20,816 | -56.9% | |
| EBITDA margin excluding IFRS 16 | 13.8% | 25.4% | -11.6pppts | 13.1% | 17.5% | -4.4pppts | 1.5% | 4.3% | -2.8pppts | - | - | 13.7% | 24.4% | -10.7pppts | |
| Depreciation and amortization | (7,433) | (6,920) | 7.4% | (1,771) | (1,664) | 6.4% | (34) | (67) | -49.3% | - | - | (9,238) | (8,652) | 6.8% | |
| <i>Depreciation and amortization excl. IFRS 16</i> | <i>(7,232)</i> | <i>(6,728)</i> | <i>7.5%</i> | <i>(1,409)</i> | <i>(1,257)</i> | <i>12.1%</i> | <i>(34)</i> | <i>(60)</i> | <i>-43.4%</i> | <i>-</i> | <i>-</i> | <i>(8,675)</i> | <i>(8,046)</i> | <i>7.8%</i> | |
| Net interest income (expense) | (6,767) | (6,620) | 2.2% | (1,294) | (1,126) | 14.9% | (118) | (1) | NMF | - | - | (8,179) | (7,747) | 5.6% | |
| <i>Net interest income (expense) excl. IFRS 16</i> | <i>(6,720)</i> | <i>(6,586)</i> | <i>2.0%</i> | <i>(1,155)</i> | <i>(998)</i> | <i>15.7%</i> | <i>(118)</i> | <i>-</i> | <i>NMF</i> | <i>-</i> | <i>-</i> | <i>(7,993)</i> | <i>(7,584)</i> | <i>5.4%</i> | |
| Net gains/(losses) from foreign currencies | 2,327 | (1,437) | NMF | 649 | (834) | NMF | - | (14) | NMF | - | - | 2,976 | (2,286) | NMF | |
| <i>Net gains/(losses) from FX excl. IFRS 16</i> | <i>2,219</i> | <i>(1,052)</i> | <i>NMF</i> | <i>(9)</i> | <i>(35)</i> | <i>-74.4%</i> | <i>-</i> | <i>(14)</i> | <i>NMF</i> | <i>-</i> | <i>-</i> | <i>2,210</i> | <i>(1,102)</i> | <i>NMF</i> | |
| Net non-recurring income/(expense) | (1,374) | (288) | NMF | (20) | (15) | 33.3% | - | - | NMF | - | - | (1,394) | (303) | NMF | |
| Profit before income tax expense | (5,485) | 3,696 | NMF | (953) | (1,432) | 33.4% | (125) | (28) | NMF | 21 | 20 | (6,542) | 2,256 | NMF | |
| Profit for the period | (5,485) | 3,696 | NMF | (953) | (1,432) | 33.4% | (125) | (28) | NMF | 21 | 20 | (6,542) | 2,256 | NMF | |
| Attributable to: | | | | | | | | | | | | | | | |
| - shareholders of the Company | (5,480) | 2,437 | NMF | (961) | (1,446) | -33.5% | (125) | (28) | NMF | 21 | 20 | (6,545) | 983 | NMF | |
| - non-controlling interests | (5) | 1,259 | NMF | 8 | 14 | -42.9% | - | - | NMF | - | - | 3 | 1,273 | -99.8% | |
| Profit for the period excluding IFRS 16 | (5,399) | 4,186 | NMF | (1,372) | (398) | NMF | (125) | (26) | NMF | 21 | 20 | (6,875) | 3,782 | NMF | |
| Attributable to: | | | | | | | | | | | | | | | |
| - shareholders of the Company | (5,394) | 2,927 | NMF | (1,380) | (412) | NMF | (125) | (26) | NMF | 21 | 20 | (6,878) | 2,509 | NMF | |
| - non-controlling interests | (5) | 1,259 | NMF | 8 | 14 | -42.9% | - | - | NMF | - | - | 3 | 1,273 | -99.8% | |

SELECTED FINANCIAL INFORMATION – Healthcare Services, *continued*

| STATEMENT OF CASH FLOW | | | | | | |
|--|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| <i>GEL thousands, unless otherwise noted</i> | | | | | | |
| | 1H20 | 1H19 | Change | 2Q20 | 2Q19 | Change |
| Cash flows from / (used in) operating activities | | | | | | |
| Revenue received | 175,530 | 160,951 | 9.1% | 84,663 | 79,494 | 6.5% |
| Cost of services paid | (87,266) | (112,120) | -22.2% | (45,754) | (56,038) | -18.4% |
| Gross profit received | 88,264 | 48,831 | 80.8% | 38,909 | 23,455 | 65.9% |
| Salaries paid | (22,520) | (18,534) | 21.5% | (13,015) | (8,386) | 55.2% |
| General and administrative expenses paid | (10,832) | (8,001) | 35.4% | (4,365) | (4,036) | 8.1% |
| General and administrative expenses paid, excluding IFRS 16 | (11,589) | (9,069) | 27.8% | (4,681) | (4,623) | 1.2% |
| Other operating income/(expense) and tax paid | (499) | 59 | NMF | (445) | (1,252) | -64.4% |
| Net cash flows from operating activities before income tax | 54,413 | 22,355 | 143.4% | 21,084 | 9,781 | 115.6% |
| Income tax paid | (43) | (129) | -66.7% | (43) | (109) | -60.4% |
| Net cash flows from operating activities | 54,370 | 22,226 | 144.6% | 21,041 | 9,673 | 117.5% |
| Net cash flows from operating activities, excluding IFRS 16 | 53,613 | 21,158 | 153.4% | 20,725 | 9,086 | 128.1% |
| Cash flows from / (used in) investing activities | | | | | | |
| Cash outflow on Capex | (13,689) | (17,383) | -21.3% | (5,472) | (9,345) | -41.4% |
| Acquisition of subsidiaries/payments of holdback | (5,445) | (6,101) | -10.8% | - | (877) | NMF |
| Interest income received | 142 | 532 | -73.3% | 95 | 472 | -79.9% |
| Dividends and intersegment loans issued/received | (1,286) | 12,103 | NMF | (8,444) | 6,273 | NMF |
| Net cash flow used in investing activities | (20,278) | (10,849) | 86.9% | (13,821) | (3,477) | NMF |
| Cash flows from / (used in) financing activities | | | | | | |
| Purchase of treasury shares | (1,024) | (1,194) | -14.2% | (1,024) | (884) | 15.8% |
| Payment of finance lease liabilities | (409) | (745) | -45.1% | (130) | (424) | -69.3% |
| Interest expense paid on finance lease | (348) | (323) | 7.7% | (186) | (163) | 13.9% |
| Increase/(decrease) in borrowings | 10,447 | (7,510) | NMF | 16,847 | (177) | NMF |
| Interest expense paid | (8,856) | (16,475) | -46.2% | (2,200) | (9,384) | -76.6% |
| Net cash flows (used in)/from financing activities | (190) | (26,247) | -99.3% | 13,307 | (11,032) | NMF |
| Net cash flows (used in)/from financing activities, excluding IFRS 16 | 567 | (25,179) | NMF | 13,623 | (10,446) | NMF |
| Effect of exchange rates changes on cash and cash equivalents | 408 | (146) | NMF | 198 | (91) | NMF |
| Net increase/(decrease) in cash and cash equivalents | 34,310 | (15,016) | NMF | 20,725 | (4,928) | NMF |
| Cash and bank deposits, beginning | 7,648 | 18,293 | -58.2% | 21,233 | 8,205 | 158.8% |
| Cash and bank deposits, ending | 41,958 | 3,277 | NMF | 41,958 | 3,277 | NMF |

| BALANCE SHEET | | | | | |
|--|----------------|----------------|--------------|----------------|--------------|
| <i>GEL thousands, unless otherwise noted</i> | | | | | |
| | Jun-20 | Dec-19 | Change | Jun-19 | Change |
| Total assets, of which: | 960,076 | 953,874 | 0.7% | 928,668 | 3.4% |
| Cash and bank deposits | 41,958 | 7,648 | NMF | 3,277 | NMF |
| Receivables from healthcare services | 108,671 | 140,861 | -22.9% | 132,284 | -17.9% |
| Property and equipment | 613,727 | 621,443 | -1.2% | 627,024 | -2.1% |
| Right of use assets | 10,064 | 11,369 | -11.5% | 10,226 | -1.6% |
| Goodwill and other intangible assets | 107,772 | 104,222 | 3.4% | 98,224 | 9.7% |
| Inventory | 18,771 | 19,387 | -3.2% | 18,319 | 2.5% |
| Prepayments | 9,724 | 7,937 | 22.5% | 6,873 | 41.5% |
| Other assets | 49,389 | 41,007 | 20.4% | 32,440 | 52.2% |
| <i>Of which, securities and intercompany loans</i> | <i>3,618</i> | <i>-</i> | <i>NMF</i> | <i>-</i> | <i>NMF</i> |
| Total liabilities, of which: | 495,606 | 472,675 | 4.9% | 460,148 | 7.7% |
| Borrowed Funds | 304,060 | 291,239 | 4.4% | 289,368 | 5.1% |
| Accounts payable | 46,004 | 45,754 | 0.5% | 37,087 | 24.0% |
| Other liabilities | 145,542 | 135,682 | 7.3% | 133,692 | 8.9% |
| Total shareholders' equity attributable to: | 464,470 | 481,199 | -3.5% | 468,521 | -0.9% |
| Shareholders of the Company | 392,247 | 409,424 | -4.2% | 399,059 | -1.7% |
| Non-controlling interest | 72,223 | 71,775 | 0.6% | 69,462 | 4.0% |

SELECTED FINANCIAL INFORMATION – Pharmacy and Distribution

INCOME STATEMENT

| <i>GEL thousands, unless otherwise noted</i> | 1H20 | 1H19 | Change | 2Q20 | 2Q19 | Change |
|---|------------------|------------------|--------------|------------------|------------------|-----------------|
| Revenue | 318,840 | 295,193 | 8.0% | 143,811 | 149,414 | -3.7% |
| Costs of services | (235,122) | (220,944) | 6.4% | (105,378) | (113,463) | -7.1% |
| Cost of pharma – wholesale | (68,116) | (71,214) | -4.4% | (29,657) | (37,097) | -20.1% |
| Cost of pharma - retail | (167,006) | (149,730) | 11.5% | (75,721) | (76,366) | -0.8% |
| Gross profit | 83,718 | 74,249 | 12.8% | 38,433 | 35,951 | 6.9% |
| Salaries and other employee benefits | (27,324) | (25,244) | 8.2% | (12,545) | (12,580) | -0.3% |
| General and administrative expenses | (12,264) | (10,653) | 15.1% | (5,685) | (5,146) | 10.5% |
| <i>General and administrative expenses excluding IFRS 16</i> | <i>(22,574)</i> | <i>(19,794)</i> | <i>14.0%</i> | <i>(10,550)</i> | <i>(9,885)</i> | <i>6.7%</i> |
| Impairment of receivables | (343) | (179) | 91.6% | (342) | (121) | NMF |
| Other operating income | 151 | 1,876 | -92.0% | 46 | 1,982 | -97.7% |
| EBITDA | 43,938 | 40,049 | 9.7% | 19,907 | 20,086 | -0.9% |
| EBITDA excluding IFRS 16 | 33,628 | 30,908 | 8.8% | 15,042 | 15,347 | -2.0% |
| EBITDA margin excluding IFRS 16 | 10.5% | 10.5% | NMF | 10.5% | 10.3% | 0.2pppts |
| Depreciation and amortization | (10,226) | (9,240) | 10.7% | (5,153) | (4,702) | 9.6% |
| <i>Depreciation and amortization excluding IFRS 16</i> | <i>(1,887)</i> | <i>(1,426)</i> | <i>32.3%</i> | <i>(964)</i> | <i>(738)</i> | <i>30.6%</i> |
| Net interest income (expense) | (8,367) | (8,193) | 2.1% | (4,088) | (4,141) | -1.3% |
| <i>Net interest income (expense) excluding IFRS 16</i> | <i>(5,639)</i> | <i>(5,892)</i> | <i>-4.3%</i> | <i>(2,703)</i> | <i>(2,943)</i> | <i>-8.2%</i> |
| Net gains/(losses) from foreign currencies | (8,289) | (6,546) | 26.6% | 8,460 | (6,519) | NMF |
| <i>Net gains/(losses) from foreign currencies excluding IFRS 16</i> | <i>(4,566)</i> | <i>(3,088)</i> | <i>47.9%</i> | <i>4,874</i> | <i>(3,294)</i> | <i>NMF</i> |
| Net non-recurring income/(expense) | (72) | (62) | 16.1% | (15) | (68) | -77.9% |
| Profit before income tax expense | 16,984 | 16,008 | 6.1% | 19,111 | 4,656 | NMF |
| Income tax benefit/(expense) | (945) | (69) | NMF | - | (69) | NMF |
| Profit for the period | 16,039 | 15,939 | 0.6% | 19,111 | 4,587 | NMF |
| Attributable to: | | | | | | |
| - shareholders of the Company | 8,698 | 9,193 | -5.4% | 12,319 | 2,326 | NMF |
| - non-controlling interests | 7,341 | 6,746 | 8.8% | 6,792 | 2,261 | NMF |
| Profit for the period excluding IFRS 16 | 20,519 | 20,371 | 0.70% | 16,234 | 8,235 | 97.1% |
| Attributable to: | | | | | | |
| - shareholders of the Company | 11,699 | 12,162 | -3.80% | 10,391 | 4,770 | NMF |
| -non-controlling interests | 8,820 | 8,209 | 7.40% | 5,843 | 3,465 | 68.6% |

STATEMENT OF CASH FLOW

| <i>GEL thousands, unless otherwise noted</i> | 1H20 | 1H19 | Change | 2Q20 | 2Q19 | Change |
|--|---------------|-----------------|---------------|---------------|-----------------|--------------|
| Cash flows from / (used in) operating activities | | | | | | |
| Revenue received | 312,119 | 279,962 | 11.5% | 148,374 | 147,100 | 0.9% |
| Cost of services paid | (231,608) | (203,598) | 13.8% | (100,025) | (105,623) | -5.3% |
| Gross profit received | 80,511 | 76,364 | 5.4% | 48,349 | 41,476 | 16.6% |
| Salaries paid | (25,482) | (24,516) | 3.9% | (14,216) | (13,992) | 1.6% |
| General and administrative expenses paid | (10,386) | (11,588) | -10.4% | (4,693) | (5,770) | -18.7% |
| General and administrative expenses paid, excluding IFRS 16 | (20,696) | (20,891) | -0.9% | (9,558) | (10,671) | -10.4% |
| Other operating income/(expense) and tax paid | (494) | - | NMF | (75) | 635 | NMF |
| Net cash flows from operating activities before income tax | 44,149 | 40,260 | 9.7% | 29,365 | 22,349 | 31.4% |
| Income tax paid | (463) | (65) | NMF | (196) | - | NMF |
| Net cash flows from operating activities | 43,686 | 40,195 | 8.7% | 29,169 | 22,349 | 30.5% |
| Net cash flows from operating activities, excluding IFRS 16 | 33,376 | 30,892 | 8.0% | 24,304 | 17,449 | 39.3% |
| Cash flows from / (used in) investing activities | | | | | | |
| Cash outflow on Capex | (2,384) | (3,253) | -26.7% | (933) | (1,815) | -48.6% |
| Interest income received | 1,120 | 13 | NMF | 851 | 5 | NMF |
| Intersegment loans issued proceeds from other investing activities | 846 | 3,000 | -71.8% | 8 | 6,526 | -99.9% |
| Net cash flow used in investing activities | (418) | (240) | 74.2% | (74) | 4,716 | NMF |
| Cash flows from / (used in) financing activities | | | | | | |
| Payment of dividends | (18,833) | (15,000) | 25.6% | (7,341) | (6,000) | 22.4% |
| Purchase of treasury shares | (273) | (245) | 11.4% | (273) | (245) | 11.4% |
| Payment of finance lease liabilities | (7,582) | (7,050) | 7.5% | (3,480) | (3,750) | -7.2% |
| Interest expense paid on finance lease | (2,728) | (2,253) | 21.1% | (1,385) | (1,150) | 20.4% |
| Increase/(decrease) in borrowings | 35,910 | (21,514) | NMF | 15,078 | (12,836) | NMF |
| Interest expense paid | (2,031) | (1,645) | 23.5% | (1,263) | (811) | 55.6% |
| Net cash flows (used in)/from financing activities | 4,463 | (47,707) | NMF | 1,336 | (24,793) | NMF |
| Net cash flows (used in)/from financing activities, excluding IFRS 16 | 14,773 | (38,404) | NMF | 6,201 | (19,893) | NMF |
| Effect of exchange rates changes on cash and cash equivalents | 1,292 | 149 | NMF | (467) | 162 | NMF |
| Net increase/(decrease) in cash and cash equivalents | 49,023 | (7,603) | NMF | 29,964 | 2,435 | NMF |
| Cash and bank deposits, beginning | 7,774 | 17,305 | -55.1% | 26,833 | 7,267 | NMF |
| Cash and bank deposits, ending | 56,797 | 9,702 | NMF | 56,797 | 9,702 | NMF |

SELECTED FINANCIAL INFORMATION – Pharmacy and Distribution, *continued***BALANCE SHEET**

| <i>GEL thousands, unless otherwise noted</i> | Jun-20 | Dec-19 | Change | Jun-19 | Change |
|--|----------------|----------------|---------------|----------------|---------------|
| Total assets, of which: | 454,006 | 396,078 | 14.6% | 359,342 | 26.3% |
| Cash and bank deposits | 56,797 | 7,774 | NMF | 9,702 | NMF |
| Receivables from sale of pharmaceuticals | 43,099 | 40,157 | 7.3% | 33,820 | 27.4% |
| Property and equipment | 34,788 | 35,161 | -1.1% | 30,604 | 13.7% |
| Right of use assets | 67,097 | 72,149 | -7.0% | 68,902 | -2.6% |
| Goodwill and other intangible assets | 52,620 | 52,506 | 0.2% | 52,329 | 0.6% |
| Inventory | 169,637 | 155,075 | 9.4% | 138,813 | 22.2% |
| Prepayments | 5,296 | 3,832 | 38.2% | 6,578 | -19.5% |
| Other assets | 24,672 | 29,424 | -16.2% | 18,593 | 32.7% |
| <i>Of which, securities and intercompany loans</i> | <i>12,327</i> | <i>12,167</i> | <i>1.3%</i> | <i>2,495</i> | <i>NMF</i> |
| Total liabilities, of which: | 355,204 | 303,240 | 17.1% | 284,416 | 24.9% |
| Borrowed Funds | 120,751 | 84,712 | 42.5% | 79,489 | 51.9% |
| Accounts payable | 129,343 | 110,690 | 16.9% | 100,349 | 28.9% |
| Other liabilities | 105,110 | 107,838 | -2.5% | 104,579 | 0.5% |
| Total shareholders' equity | 98,802 | 92,838 | 6.4% | 74,925 | 31.9% |

SELECTED FINANCIAL INFORMATION – Medical Insurance

INCOME STATEMENT

| <i>GEL thousands, unless otherwise noted</i> | 1H20 | 1H19 | Change | 2Q20 | 2Q19 | Change |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue | 34,559 | 36,366 | -5.0% | 16,491 | 18,873 | -12.6% |
| Costs of services | (26,571) | (31,916) | -16.7% | (11,506) | (16,233) | -29.1% |
| Net insurance claims incurred | (25,375) | (30,501) | -16.8% | (10,955) | (15,587) | -29.7% |
| Agents, brokers and employee commissions | (1,196) | (1,415) | -15.5% | (551) | (646) | -14.7% |
| Gross profit | 7,988 | 4,450 | 79.5% | 4,985 | 2,640 | 88.8% |
| Salaries and other employee benefits | (2,778) | (2,106) | 31.9% | (1,551) | (1,189) | 30.4% |
| General and administrative expenses | (817) | (728) | 12.2% | (300) | (373) | -19.6% |
| <i>General and administrative expenses excluding IFRS 16</i> | <i>(1,020)</i> | <i>(909)</i> | <i>12.2%</i> | <i>(393)</i> | <i>(469)</i> | <i>-16.2%</i> |
| Impairment of receivables | (1,044) | (217) | NMF | (734) | (114) | NMF |
| Other operating income | (122) | 567 | NMF | (32) | 355 | NMF |
| EBITDA | 3,227 | 1,966 | 64.1% | 2,368 | 1,319 | 79.5% |
| EBITDA excluding IFRS 16 | 3,024 | 1,785 | 69.4% | 2,275 | 1,223 | 86.0% |
| EBITDA margin excluding IFRS 16 | 8.8% | 4.9% | 3.8pppts | 13.8% | 6.5% | 7.3pppts |
| Depreciation and amortization | (576) | (548) | 5.1% | (295) | (279) | 5.7% |
| <i>Depreciation and amortization excluding IFRS 16</i> | <i>(394)</i> | <i>(380)</i> | <i>3.7%</i> | <i>(205)</i> | <i>(191)</i> | <i>7.3%</i> |
| Net interest income (expense) | 764 | 286 | NMF | 403 | 173 | NMF |
| <i>Net interest income (expense) excluding IFRS 16</i> | <i>793</i> | <i>313</i> | <i>NMF</i> | <i>417</i> | <i>186</i> | <i>NMF</i> |
| Net gains/(losses) from foreign currencies | (32) | 18 | NMF | 41 | (41) | NMF |
| <i>Net gains/(losses) from foreign currencies excluding IFRS 16</i> | <i>8</i> | <i>71</i> | <i>-88.7%</i> | <i>2</i> | <i>8</i> | <i>-75.0%</i> |
| Net non-recurring income/(expense) | (158) | - | NMF | (158) | - | NMF |
| Profit before income tax expense | 3,225 | 1,722 | 87.3% | 2,359 | 1,172 | 101.3% |
| Income tax benefit/(expense) | (603) | (288) | NMF | (398) | (203) | 96.1% |
| Profit for the period | 2,622 | 1,434 | 82.8% | 1,961 | 969 | 102.4% |
| Attributable to: | | | | | | |
| - shareholders of the Company | 2,622 | 1,434 | 82.8% | 1,961 | 969 | 102.4% |
| Profit for the period excluding IFRS 16 | 2,670 | 1,501 | 77.9% | 1,933 | 1,023 | 89.0% |
| Attributable to: | | | | | | |
| - shareholders of the Company | 2,670 | 1,501 | 77.9% | 1,933 | 1,023 | 89.0% |

STATEMENT OF CASH FLOW

| <i>GEL thousands, unless otherwise noted</i> | 1H20 | 1H19 | Change | 2Q20 | 2Q19 | Change |
|--|---------------|---------------|--------------|---------------|---------------|---------------|
| Cash flows from / (used in) operating activities | | | | | | |
| Revenue received | 33,860 | 34,567 | -2.0% | 15,616 | 20,924 | -25.4% |
| Cost of services paid | (23,436) | (25,820) | -9.2% | (9,910) | (14,941) | -33.7% |
| Gross profit received | 10,424 | 8,747 | 19.2% | 5,705 | 5,983 | -4.6% |
| Salaries paid | (4,823) | (4,389) | 9.9% | (3,056) | (2,886) | 5.9% |
| General and administrative expenses paid | (1,076) | (843) | 27.6% | (368) | (490) | -25.0% |
| General and administrative expenses paid, excluding IFRS 16 | (1,279) | (1,024) | 24.9% | (461) | (586) | -21.4% |
| Other operating income/(expense) and tax paid | (182) | (213) | -14.6% | (182) | (109) | 66.8% |
| Net cash flows from operating activities before income tax | 4,343 | 3,302 | 31.5% | 2,100 | 2,498 | -15.9% |
| Income tax paid | (1,130) | - | NMF | (230) | - | NMF |
| Net cash flows from operating activities | 3,213 | 3,302 | -2.7% | 1,870 | 2,498 | -25.1% |
| Net cash flows from operating activities, excluding IFRS 16 | 3,010 | 3,121 | -3.6% | 1,777 | 2,401 | -26.0% |
| Cash flows from / (used in) investing activities | | | | | | |
| Cash outflow on Capex | (172) | (29) | NMF | (97) | - | NMF |
| Interest income received | 1,289 | 836 | 54.2% | 788 | 577 | 36.6% |
| Other investing activities | (303) | (1,308) | -76.8% | (628) | (300) | 109.2% |
| Net cash flow used in investing activities | 814 | (501) | NMF | 63 | 277 | -77.1% |
| Cash flows from / (used in) financing activities | | | | | | |
| Payment of dividends | (750) | - | NMF | (375) | - | NMF |
| Purchase of treasury shares | (155) | (143) | 8.4% | (155) | (143) | 8.4% |
| Payment of finance lease liabilities | (174) | (154) | 13.0% | (79) | (74) | 7.3% |
| Interest expense paid on finance lease | (29) | (27) | 7.4% | (14) | (23) | -38.2% |
| Increase/(decrease) in borrowings | 1,600 | (300) | NMF | - | (300) | NMF |
| Interest expense paid | (260) | (315) | -17.5% | (187) | (134) | 39.7% |
| Net cash flows (used in)/from financing activities | 232 | (939) | NMF | (810) | (673) | 20.3% |
| Net cash flows (used in)/from financing activities, excluding IFRS 16 | 435 | (758) | NMF | (717) | (577) | 24.3% |
| Effect of exchange rates changes on cash and cash equivalents | 442 | 3 | NMF | 63 | 3 | NMF |
| Net increase/(decrease) in cash and cash equivalents | 4,701 | 1,865 | NMF | 1,186 | 2,104 | NMF |
| Cash and bank deposits, beginning | 16,583 | 12,363 | 34.1% | 20,098 | 12,124 | 65.8% |
| Cash and bank deposits, ending | 21,284 | 14,228 | 49.6% | 21,284 | 14,228 | 49.6% |

SELECTED FINANCIAL INFORMATION – Medical Insurance, *continued***BALANCE SHEET***GEL thousands, unless otherwise noted*

| | Jun-20 | Dec-19 | Change | Jun-19 | Change |
|--|---------------|---------------|---------------|---------------|---------------|
| Total assets, of which: | 91,993 | 79,575 | 15.6% | 89,905 | 2.3% |
| Cash and bank deposits | 21,284 | 16,583 | 28.3% | 14,228 | 49.6% |
| Insurance premiums receivable | 38,955 | 31,531 | 23.5% | 48,135 | -19.1% |
| Property and equipment | 14,890 | 15,054 | -1.1% | 15,159 | -1.8% |
| Right of use assets | 603 | 597 | 1.0% | 780 | -22.7% |
| Goodwill and other intangible assets | 5,517 | 5,519 | NMF | 5,488 | 0.5% |
| Inventory | 198 | - | NMF | - | NMF |
| Prepayments | 1,102 | 520 | 111.9% | 705 | 56.4% |
| Other assets of which: | 9,444 | 9,771 | -3.3% | 5,411 | 74.5% |
| <i>securities and intercompany loans</i> | <i>8,012</i> | <i>7,649</i> | <i>4.7%</i> | <i>3,118</i> | <i>NMF</i> |
| Total liabilities, of which: | 61,740 | 52,695 | 17.2% | 64,764 | -4.7% |
| Borrowed Funds | 9,255 | 7,450 | 24.2% | 5,651 | 63.8% |
| Accounts payable | 368 | - | NMF | - | NMF |
| Insurance contract liabilities | 40,048 | 31,687 | 26.4% | 47,640 | -15.9% |
| Other liabilities | 12,069 | 13,558 | -11.0% | 11,474 | 5.2% |
| Total shareholders' equity | 30,253 | 26,880 | 12.5% | 25,141 | 20.3% |

Selected ratios and KPIs

| Selected ratios and KPIs | 2Q20 | 2Q19 | Change | 1H20 | 1H19 | Change |
|--|--------|--------|-----------|--------|--------|-----------|
| GHG, consolidated | | | | | | |
| ROIC (%) | 7.7% | 12.2% | -4.5ppts | 9.8% | 12.2% | -2.4ppts |
| Group rent expenditure | 5,919 | 6,118 | -3.3% | 12,406 | 12,014 | 3.3% |
| <i>of which, pharmacy and distribution business</i> | 5,389 | 5,555 | -3.0% | 11,537 | 10,880 | 6.0% |
| Group capex (maintenance) | 2,319 | 3,878 | -40.2% | 5,537 | 7,062 | -21.6% |
| Group capex (development) | 4,183 | 7,282 | -42.6% | 10,708 | 13,603 | -21.3% |
| Number of employees | 15,555 | 16,173 | -3.8% | 15,555 | 16,173 | -3.8% |
| Number of physicians | 3,476 | 3,645 | -4.6% | 3,476 | 3,645 | -4.6% |
| Number of nurses | 3,301 | 3,425 | -3.6% | 3,301 | 3,425 | -3.6% |
| Nurse to doctor ratio, referral hospitals | 0.95 | 0.94 | 1.1% | 0.95 | 0.94 | 1.1% |
| Number of pharmacists | 2,887 | 2,983 | -3.2% | 2,887 | 2,983 | -3.2% |
| Hospitals | | | | | | |
| EBITDA margin <i>excluding IFRS 16</i> | 13.8% | 25.4% | -11.6ppts | 17.7% | 25.5% | -7.8ppts |
| Direct salary rate (direct salary as % of revenue) | 36.3% | 35.3% | 1.0ppts | 35.8% | 34.5% | 1.3ppts |
| Materials rate (direct materials as % of revenue) | 20.0% | 16.5% | 3.5ppts | 19.6% | 17.0% | 2.6ppts |
| Administrative salary rate (administrative salaries as % of revenue) | 14.9% | 11.0% | 3.9ppts | 13.1% | 10.8% | 2.3ppts |
| SG&A rate (SG&A expenses as % of revenue) | 5.7% | 5.2% | 0.5ppts | 5.0% | 4.9% | 0.1ppts |
| Number of hospitals | 18 | 18 | NMF | 18 | 18 | NMF |
| Number of hospital beds | 2,967 | 2,967 | NMF | 2,967 | 2,967 | NMF |
| Hospitals bed occupancy rate | 43.3% | 59.6% | -16.3ppts | 51.9% | 60.9% | -9.0ppts |
| Hospitals bed occupancy rate, excluding TRH and CMC | 43.6% | 64.1% | -20.5ppts | 53.6% | 65.6% | -12.0ppts |
| CMC bed occupancy rate | 34.2% | 38.6% | -4.4ppts | 37.6% | 37.1% | 0.5ppts |
| TRH bed occupancy rate | 49.3% | 46.9% | 2.4ppts | 52.6% | 49.5% | 3.1ppts |
| Average length of stay (days) | 5.8 | 5.4 | 6.0% | 5.6 | 5.4 | 2.9% |
| Average revenue per hospital bed | 75.4 | 100.1 | -24.7% | 85.4 | 100.4 | -14.9% |
| Clinics | | | | | | |
| EBITDA margin <i>excluding IFRS 16</i> | 13.1% | 17.5% | -4.4ppts | 16.8% | 18.1% | -1.3ppts |
| EBITDA margin of polyclinics <i>excluding IFRS 16</i> | 12.3% | 16.3% | -4.0ppts | 13.2% | 15.6% | -2.4ppts |
| Direct salary rate (direct salary as % of revenue) | 34.3% | 34.8% | -0.5ppts | 34.0% | 34.7% | -0.7ppts |
| Materials rate (direct materials as % of revenue) | 7.0% | 6.6% | 0.4ppts | 6.5% | 6.4% | 0.1ppts |
| Number of community clinics | 19 | 19 | NMF | 19 | 19 | NMF |
| Number of community clinics beds | 353 | 353 | NMF | 353 | 353 | NMF |
| Number of polyclinics | 15 | 16 | -1 | 15 | 16 | -1 |
| Diagnostics | | | | | | |
| EBITDA margin <i>excluding IFRS 16 impact</i> | 1.5% | 4.3% | -2.8ppts | -3.5% | 4.2% | -7.7ppts |
| Number of patients served ('000) | 106 | 60 | 76.7% | 245 | 127 | 92.9% |
| Number of tests performed ('000) | 266 | 184 | 44.6% | 591 | 356 | 66.0% |
| Average revenue per test GEL | 6.7 | 6.1 | -9.8% | 5.8 | 6.4 | -9.4% |
| Average number of tests per patient | 2.5 | 3.1 | -18.2% | 2.4 | 2.8 | -14.3% |
| Pharmacy and Distribution | | | | | | |
| EBITDA margin <i>excluding IFRS 16</i> | 10.5% | 10.3% | 0.2ppts | 10.5% | 10.5% | - |
| Number of bills issued (millions) | 5.7 | 7.1 | -19.0% | 13.4 | 14.2 | -5.9% |
| Average bill size | 17.6 | 14.2 | 23.9% | 16.5 | 13.8 | 19.3% |
| Revenue from wholesale as a percentage of total revenue from pharma | 25.4% | 29.0% | -3.6ppts | 26.0% | 29.0% | -3.0ppts |
| Revenue from retail as a percentage of total revenue from pharma | 74.6% | 71.0% | 3.6ppts | 74.0% | 71.0% | 3.0ppts |
| Revenue from para-pharmacy as a percentage of retail revenue from pharma | 38.7% | 31.4% | 7.3ppts | 34.0% | 30.3% | 3.7ppts |
| Number of pharmacies | 299 | 279 | 20 | 299 | 279 | 20 |
| Medical Insurance | | | | | | |
| Loss ratio | 66.4% | 82.6% | -16.2ppts | 73.4% | 83.9% | -10.5ppts |
| Expense ratio <i>excluding IFRS 16, of which</i> | 21.0% | 11.9% | 9.1ppts | 19.0% | 12.3% | 6.7ppts |
| <i>Commission ratio</i> | 3.3% | 3.4% | -0.1ppts | 3.5% | 3.9% | -0.4ppts |
| Combined ratio <i>excluding IFRS 16</i> | 87.4% | 94.5% | -7.1ppts | 92.4% | 96.1% | -3.7ppts |
| Renewal rate | 77.1% | 81.3% | -4.2ppts | 71.3% | 77.5% | -6.2ppts |